

PUBLIC DISCLOSURE

January 8, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CHICOPEE MUNICIPAL EMPLOYEES CREDIT UNION

**923 FRONT STREET
CHICOPEE, MA 01020**

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CHICOPEE, MA 01020**

**DIVISION OF BANKS
1000 Washington Street 10th Floor
BOSTON, MA 02118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **CHICOPEE MUNICIPAL EMPLOYEES CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **January 8, 2013**. The Division evaluates performance in the assessment area(s), as they are defined by the institution. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

This evaluation is based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$250 million, adjusted annually and currently at \$290 million. A summary of the Credit Union's performance is provided below.

- The Credit Union's net loan-to-share (LTS) ratio for the previous eight quarters is satisfactory given the Credit Union's size, financial condition, and the credit needs of its assessment area.
- The Credit Union demonstrates a satisfactory level of lending to members of different income levels.
- Fair lending policies and practices are considered satisfactory. No weight was given to complaints, as none have been received by the Credit Union since the prior examination.

SCOPE OF THE EXAMINATION

The assessment of Chicopee Municipal Employees Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low- to moderate-income members; and the Credit Union's fair lending performance.

PERFORMANCE CONTEXT

Description of Institution

Chicopee Municipal Employees Credit Union is a state chartered industrial credit union founded in 1971. The Credit Union's assets totaled \$45,342,479 as of December 31, 2013.

The Credit Union originates residential loans (home equity loans and lines of credit, and home improvement loans) automobile loans (new and used) unsecured personal loans and recreational vehicle/boat loans. For the members' convenience, the Credit Union offers personal loans for as little as \$200. The Credit Union's rates and terms and conditions are competitive with other credit unions of similar size and type.

As of December 31, 2012, the Credit Union's loan portfolio totaled \$9,376,183 or 20.7 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of other real estate loans/lines of credit with 53.6 percent, followed by new and used vehicle loans with 23.3 percent, and unsecured loans and lines of credit with 20.5 percent.

The hours of operation are Monday through Thursday 9:00 am to 4:00 pm, Friday 9:00 am to 6:00 pm, and Saturday 9:00 am to noon. The Credit Union is member of the SUM alliance network of surcharge-free ATMs.

The Division last examined the Credit Union for CRA on May 5, 2008. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area

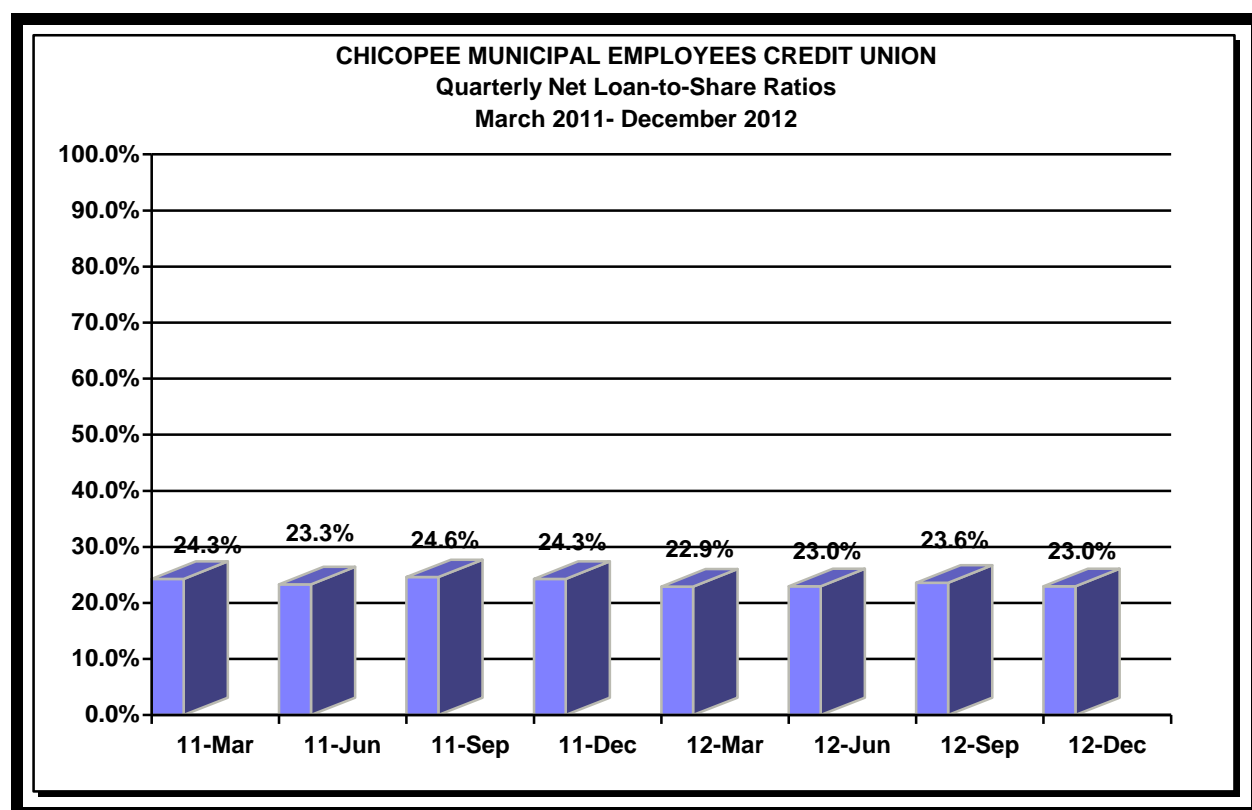
In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws: "Membership is limited to those who are employees of the City of Chicopee and members of their families and employees of Federal, State, County or other municipal governments and their families living within a thirty mile radius of the main office." The Credit Union has a current membership of 3,940 individuals.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of the Credit Union's net loan-to-share ratio indicates the Credit Union meets the standards for satisfactory performance.

A comparative analysis of the Credit Union's net loan-to-share ratio was performed using National Credit Union Administration ("NCUA") quarterly call report data for the period March 31, 2011 through December 31, 2012. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. The average net LTS for the period reviewed was 23.6 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of the total shares. As illustrated in the chart below, the Credit Union's ratios have fluctuated from a high of 24.6 percent in September 2011, to a low of 22.9 percent in March 2012



As illustrated in the above chart, from March 2011 through December 2012, net loans have fluctuated for the period under review, with an overall decrease of \$720,839, or 7.2 percent. During this time period, deposits increased \$4,165,152, or 10.1 percent. It should be noted loans also experienced a decline of 29.6 percent from the last examination (December 2007 to March 2011).

Discussions with management regarding the decreasing LTS ratio concluded the Credit Union's members took advantage of the historic low interest rates by paying off their home equity loans and refinancing them into first mortgages. It should be noted the Credit Union does not offer first mortgages. This coupled with the competitive rates from local financial institutions and the fact deposit growth out-paced loan growth also contributed to the low LTS ratio.

Based on the preceding information, the Credit Union's performance meets the standard for a satisfactory rating.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's home equity loans and consumer loans were analyzed to determine the distribution of lending by borrower income level. The borrower's reported incomes were compared to the Median Family Incomes for Springfield MA Metropolitan Statistical Area ("MSA\CBSA"). The borrower income analysis was based on the median family incomes for the Springfield MSA/CBSA for 2011 and 2012, \$69,300 and \$70,200, respectively.

The four income categories that define the income level of borrowers include low-, moderate-, middle-, and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSA or MD. As defined by the U.S. Department of Housing and Urban Development (HUD), low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns at least 50 percent and less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns at least 80 percent and less than 120 percent of the MSA's median family income, while upper-income is defined as income level or area that is equal to or greater than 120 percent of the MSA's median family income.

The following table illustrates, by number, loans reportable under the Home Mortgage Disclosure Act ("HMDA") originated by the Credit Union to low, moderate, middle, and upper-income borrowers in 2011 and 2012.

<i>Distribution of HMDA Loans by Borrower Income</i>					
Median Family Income Level	2011		<i>Distribution of Families by Income Level</i>	2012	
	#	%		#	%
Low	0	0.0	21.4	2	10.0
Moderate	6	50.0	17.4	4	20.0
Middle	5	41.7	22.2	7	35.0
Upper	1	8.3	39.0	7	35.0
Total	12	100.0	100.0	20	100.0

Source: 2011 U.S. Census, HMDA /LAR

For the period under review, the Credit Union originated 6.3 percent of its loans to low-income borrowers and 31.3 percent to moderate income borrowers. The Credit Union faces strong competition from banks, mortgage companies and other credit unions in the area. Based on the analysis of the HMDA data, the Credit Union's lending to borrowers of different incomes is considered reasonable.

Consumer Loans

Credit Union's lending based upon the analysis of consumer loans by borrower income is adequate.

A sample of Credit Union's consumer loan data for 2011 and 2012 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured personal loans and auto loans. A review of 50 loans, 25 loans for 2011 and 25 loans for 2012, was conducted to determine the distribution of loans by borrower income as detailed in the chart below. The distribution of families is shown in the chart above as a reference point.

<i>Distribution of Consumer Loans by Borrower Income</i>					
Median Family Income Level	2011		<i>Distribution of Families by Income Level</i>	2012	
	#	%		#	%
Low	4	16.0	21.4	10	40.0
Moderate	9	36.0	17.4	6	24.0
Middle	7	28.0	22.2	5	20.0
Upper	5	20.0	39.0	4	16.0
Total	25	100.0	100.0	25	100.0

Source: 2011 U.S. Census, HMDA /LAR

It should be noted consumer loans typically consider the income of only one borrower. Comparing a member's income with the median family income potentially inflates the levels of lending to low- and moderate-income borrowers as the median family income typically includes the income of two individuals.

In general, the distribution of loans by borrower income reflects the Credit Union's willingness to service all of its membership with suitable, accessible loan products.

Based upon the analysis of borrower income, the Credit Union meets the standards for satisfactory performance in providing loans to borrowers of different incomes.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

Chicopee Municipal Employees Credit Union has not received any CRA-related complaints during the period under review. The Credit Union has a written loan policy which addresses fair lending laws and regulations.

Fair Lending Policies and Practices

A review was conducted for compliance with fair lending regulations, and no evidence of disparate or impact treatment was revealed. The Credit Committee reviews and approves all loan decisions to assure all loans are being granted in accordance with the guidelines set forth by the Credit Union.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 923 Front Street, Chicopee, MA 01020"

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.